

DEPARTMENT OF AGRICULTURE AND FISHERIES FOR SCOTLAND
MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
HOME OFFICE

British Wool Marketing Scheme, 1950

Complaints made by the Scottish Wool Trades Consultative Committee

*Report of
the Committee of Investigation
for Great Britain*



EDINBURGH: HER MAJESTY'S STATIONERY OFFICE
1962

COMMITTEE OF INVESTIGATION FOR GREAT BRITAIN

Report on complaints made by the Scottish Wool Trades Consultative Committee as to the operation of the British Wool Marketing Scheme, 1950, as amended.

To: *The Rt. Hon. John MacLay, C.M.G., M.P.*
The Rt. Hon. Christopher Soames, C.B.E., M.P.
The Rt. Hon. R.A. Butler, C.B., M.P.

Sirs,

1. We were directed on 22nd August, 1961, to consider and report on complaints by the Scottish Wool Trades Consultative Committee (hereinafter called the complainants) as to the operation of the British Wool Marketing Scheme, 1950, as amended. The complaints were set out in two letters, dated 17th April and 10th July, 1961. We were further directed, without prejudice to any other relevant matter on which we might wish to observe, to report:-

(a) whether any provision of the British Wool Marketing Scheme, 1950, as amended, or any act or omission of the British Wool Marketing Board, of which provision, act or omission complaint has been made in the above-mentioned letters, is contrary to the interest of any persons affected by the Scheme;

(b) if the answer to (a) is affirmative, whether the provision, act or omission is not in the public interest.

The Direction and letters of complaint are reproduced in Appendix I to this Report.

2. The complainants stated in their letters of complaint that they represented the interests of the National Association of Scottish Woollen Manufacturers, the Kilmarnock and District Woollen Spinners Association (together with certain carpet and hosiery manufacturers), the Wool Federation of Scotland and the Committee of Scottish Wool Brokers. They also claimed the support of the Hebridean Spinners Advisory Committee, certain English carpet wool spinning interests, the majority of the larger Italian importers of

Scottish wool, certain English exporters of Scottish wool to Italy and the Scottish Council (Development and Industry) ⁽¹⁾ .

3. The complainants and the British Wool Marketing Board (hereinafter called the Board) were informed on 23rd August, 1961, that they might make representations to us in writing not later than 14th September, 1961, and these are reproduced in Appendix II to this Report.

4. We met on 21st September, 1961, to determine the procedure to be adopted in the consideration of the complaints. Representatives of the complainants and the Board were informed that we would give them leave to submit oral evidence and we asked them to provide us with proofs of evidence of the witnesses they intended to call and certain other information. We also heard their views on whether the hearing should be held in public or in private. The complainants submitted that the hearing should be in public and the Board maintained that there was no special reason for this course to be taken. We decided that the hearing should take place in private. The Complainants expanded their complaints, after the matter was referred to us by Ministers, by referring in their written representations (see doc. 1, Appendix II) to a visit made by representatives of the Board to Italy in May, 1961, and they requested that copies of the Board's correspondence with Italian traders and trade organisations be disclosed. In these circumstances we decided to hear evidence as to this visit and asked both parties to disclose any relevant correspondence that had respectively passed between them and the Italian interests.

5. The parties were informed in writing of these decisions and the relevant correspondence was exhibited.

6. The complainants were represented by Mr. G.R.F. Morris, Q.C., and Mr. Neil Butter, instructed by Messrs. C.G. Metson and Co. The Board were represented by the Hon. T.G. Roche, Q.C., and Mr. D.A. Grant, instructed by Messrs. Ellis and Fairbairn. We met to hear evidence and arguments on 23rd, 24th, 25th, 30th and 31st October and 3rd, 4th and 8th November, 1961. Seven witnesses were called on behalf of the complainants and fourteen witnesses on behalf of the Board; their names and qualifications are set out in Appendix III. Various documents, samples of fleece wool and specimen fleeces were exhibited. Copies of the proofs of evidence and other documents,

(1) A letter to the Board from the Scottish Council (Development and Industry) dated 20th October, 1961, indicated that the Council had supported in general the work of the Scottish Wool Trades Consultative Committee but were in no way concerned with the question of grading Scottish wool.

together with a verbatim report of the proceedings, are submitted herewith.

7. In interpreting our terms of reference we have adopted the views of the Committee of Investigation, presided over by Mr. James Whitehead, K.C., which reported on complaints against the Milk Marketing Scheme in 1936⁽ⁱ⁾ and have therefore, in answering (a) of our terms of reference (see paragraph 1), regarded the word "interest" as being qualified by the word "reasonable". Furthermore, in answering (b), we have interpreted the expression "not in the public interest" as meaning that if a particular act was found to be in the interest of a substantial part of the public it need not be shown to be in everybody's interest and that an act would be in the public interest if shown to be in the interest of a substantial majority of the public, notwithstanding that it might be contrary to the interest of some section of the public. We accept the views of the Whitehead Committee that an act may be "not in the public interest without being absolutely contrary to the public interest" and that when "a complainant has shown that he is injured, it is only necessary for him to show that the act or omission complained of is not in the public interest".

8. With certain minor exceptions, the Board purchase all fleece wool produced in the United Kingdom and sell it at auctions. The disposal of skin wool, which is wool removed from the skins of sheep's carcasses, is not relevant to this investigation.

9. Figures submitted to us by the Board, showing the quantities of wool produced in England and Wales, Scotland and Northern Ireland which were sold by the Board in 1959/60 are reproduced in Appendix IV.

10. The Board employ agents, generally known as 'A merchants', who are responsible for collecting wool from producers and storing it on behalf of the Board until it is sold at the Board's auction sales. It is the general practice for the Scottish merchants who buy wool from the Board for their own businesses also to act as A merchants.

11. Wool produced and sold in England, Wales and Northern Ireland is graded and valued in the A merchants' warehouses. Each fleece is examined and payment to the producer is directly related to the grades of wool which he has produced. The wool is sold at the Board's auctions in a graded state.

(i) Report of the Committee of Investigation for England on complaints made by the Central Milk Distributive Committee and the Parliamentary Committee of the Co-operative Congress as to the operation of the Milk Marketing Scheme, 1935 (1936).

12. Wool produced in the Orkneys and Outer Hebrides is dealt with in the same way.

13. The Board's arrangements for the sale of the rest of the wool produced in Scotland and for wool produced in England and tendered to the Board in Scotland (hereinafter called Scottish mainland wool and referred to in paragraph 8 of the Board's representations (doc. 2, Appendix II)) vary according to the size of the "clip". Normally a clip is all the hogg or ewe wool of one breed tendered by a producer to the Board at any one time. Clips of Scottish mainland wool of over 1,500 lbs. are at present sold "intact", that is to say the wool is not graded before sale and is sold in one lot. Wool from clips weighing less than 1,500 lbs. is graded and, as will be seen from Appendix IV, over half the total wool sold in Scotland in 1959/60 had been graded before sale. (The limit of 1,500 lbs. dates from 1858; previously only clips of under 1,000 lbs. were graded). This distinction between large and small clips does not affect the method of valuation so far as payment to the producer is concerned. Irrespective of the size of the clip, Scottish mainland wool is valued, in the A merchant's warehouse, by appraisers employed by the Board who value the clip by sample and the producer is paid on the basis of this valuation instead of on that described in paragraph 11.

14. Producers collectively are guaranteed a price per lb. under the Agriculture Act, 1947, and this is implemented through the Board. The Board deduct their marketing costs from the total amount represented by the guaranteed price and the balance is available for payment to producers for wool sold to the Board. At the beginning of each season, the Board prescribe maximum prices payable to producers for grades of wool produced in England and Wales, Northern Ireland, the Orkneys and Outer Hebrides and for descriptions of Scottish mainland wool. In prescribing the Schedule of maximum prices for the various grades and descriptions of wool, the Board have regard to the relationship between the prices realised at auction sales in the preceding calendar year⁽¹⁾.

15. If the Board's receipts from the sale of wool at auctions in any one year exceed the total amount represented by the guaranteed price, 90% of the surplus is paid into a reserve fund (the "Special Account"); the balance is retained by the Board. If the Board's receipts are less than this total amount, the deficit is made up, so far as possible, by withdrawals from the reserve fund or, if necessary, by payments from the Exchequer. In 1950/51, the Board's first

⁽¹⁾ Until recently a two-year period was taken.

year of operation, wool prices were high and there was a large surplus. Since then, there has been a deficit which, since 1956/57, has involved an annual payment by the Exchequer.

16. Details of production, sales by the Board, transfers to and from the Special Account and payments by the Exchequer are given in Appendix V.

17. In September, 1960, the Board decided that as from 1st May, 1962, the arrangements for the grading and sale of Scottish mainland wool should be the same as those at present in force for the rest of the United Kingdom, namely that all Scottish mainland wool should be graded and that producers should be paid in relation to a maximum price for each grade.

18. The four main types of wool produced in Scotland are Blackface, Cheviot, Cross and Halfbred and it was made clear during the hearing that there were wide differences between the wool produced by the same breeds in different parts of Scotland. Appendix IV indicates that Blackface comprised almost exactly half the wool sold by the Board in Scotland in 1958/60 and that about 60% of the Blackface, and about 30% of the other wool, was sold intact.

19. There was a great deal of evidence relating to the importance of the particular "character" and "characteristics" of wool. This was referred to, in particular, by one witness called by the complainants as well as by several witnesses called on behalf of the Board. The definition of these terms is very confused. They were used by witnesses variously to cover fineness of fibres, soundness of fibres, length of staple, yield, handle and feel, softness, springiness, lustre, style, and the capacity to take dyes. We regard the burden of the complainants' case on this subject as being that present grades do not specifically recognise, and therefore would have the effect of diffusing, lustre, handle and feel, softness, springiness, style and the capacity to take dyes and we use the term "characteristics" in this sense.

20. The specific complaints were as follows:

- (1) that the Board's decision to extend grading to all Scottish mainland wool is contrary to the interests of buyers and users of such wool and is not in the public interest;
- (2) that the Board's conduct prior and subsequent to the decision to extend grading to all such wool was unreasonable and improper in that:

(i) in reaching the decision the Board failed to give due consideration to the interests of those directly affected and misused their monopoly position, and

(ii) by means of a visit to Italy by their representatives the Board sought

(a) to influence Italian importers to accept grading of all Scottish mainland wool;

(b) to circumvent Scottish merchants by influencing Italian importers to buy direct at sales.

21. The complainants were unable to substantiate the complaint summarised in paragraph 20(2) (i). Indeed, during the cross-examination of witnesses called by them it was admitted that these criticisms were no longer maintained and the complaint was then withdrawn. In these circumstances we do not feel that it is necessary to make any comment whatsoever on this allegation.

22. The complaint at paragraph 20(1) was made in relation to:

(i) the carpet industry in Scotland and certain English carpet wool spinning interests;

(ii) the Harris and Border tweed industries;

(iii) exporters of Scottish raw wool for Italian mattresses;

(iv) other users of Scottish wool;

(v) merchants.

23. The complainants' case can be summarised as follows:

(i) the carpet industry in Scotland and certain English carpet wool spinning interests

The letters of complaint stated that these industries preferred Scottish wool in intact clips and considered that there was no justification for depriving them of this preference. In addition they would have to pay higher prices for a graded article.

Evidence was presented to the effect that there was no desire in the carpet industry for a change in the present method of presentation of Scottish wool and grading was unnecessary.

(ii) the Harris and Border tweed industries

The letters of complaint stated that these industries attached particular importance to the availability for purchase of speciality character wools obtainable in intact clips so that the character and quality of Scottish tweeds is preserved; the use of intact clips was regarded as the main reason why Harris and Border tweeds had been able to retain their distinctive appeal in the home and overseas markets. They knew of no reason why they should be denied the opportunity of purchasing intact clips and claimed that such a deprivation would involve incalculable consequences to their detriment.

Evidence was given that the Harris tweed industry is divided into two branches which sell their goods under the "Orb" and "Shield" trade marks respectively. Manufacturers of Harris tweeds are required to use 100% pure Scottish wool.

A memorandum was submitted by the Hebridean Spinners Advisory Committee on behalf of the "Orb" manufacturers. The memorandum stated that the annual usage of wool by the "Orb" manufacturers was approximately 8 million lbs.⁽¹⁾. No witness was called on behalf of this body but in relation to the "Orb" manufacturers the Chairman of the complainants said that the expense involved in grading was unnecessary and manufacturers wished to continue to buy wool in intact clips in order to meet their specialist requirements.

The "Shield" manufacturers are organised as the Independent Harris Tweed Producers Ltd. Their Chairman estimated consumption by the "Shield" manufacturers at about 1½ million lbs. in the current year, but this figure would include some skin wool. He said that, from his own experience, grading would be harmful in that it would necessitate the purchase, handling and holding of larger stocks in order to collect together from the Board's grades the types of wool that were needed for blending. This would cause increased expense.

One Scottish wool merchant expressed the view that grading would make it impracticable to supply wool for the manufacture of a particular kind of soft, homespun Scottish tweed.

There was no evidence which specifically referred to the Border tweed industries.

(1) Throughout this report, the weights of wool shown relate to greasy wool (or the equivalent weight of greasy wool).

(iii) *the exporters of Scottish raw wool for Italian mattresses*

In the letters of complaint, it was claimed that this trade required intact clips. No system of standardised grades would satisfy the requirements of Italian importers, and graded wool would have to be regraded with consequential extra cost and damage to the fleeces. The exporters considered that they should not be deprived of the opportunity of buying intact clips for the export market and that, if they were so deprived, there was a probability of their trade being lost. The inability to buy intact clips would enlarge difficulties already being experienced from competition from other wools and wool substitutes.

It was stated in evidence that exporters would be unable to meet the specialist demands of their customers. Scottish Black-face wool is either exported in intact clips (after unsuitable fleeces have been removed) or prepared by exporters to the requirements of particular customers, which may vary from time to time. The Italians wanted unbroken fleeces and if all Scottish wool was sold by the Board in a graded state, regrading would be necessary and the increased handling would increase the risk of damage to fleeces. Furthermore, the introduction of grading would involve the purchase of larger quantities to meet customers' individual needs. One witness said that it would not be possible to make a special grade for the Italian market but nevertheless, in spite of the difficulties which would be created by grading, he hoped that he would retain his Italian business.

(iv) *other users of Scottish wool*

There was little evidence relating to these users but it was stated by a member of the Council of the National Association of Scottish Woollen Manufacturers that there was opposition amongst them to the extension of grading to all Scottish mainland wool because they wished to continue to buy wools of certain characteristics and quality which are obtainable from intact clips and would be diffused by grading.

(v) *Merchants*

It was stated in the letters of complaint that the opposition of merchants stemmed from their conviction that buyers and users of intact clips would be detrimentally affected if such clips were no longer available. In the letter dated 10th July (doc. 3, Appendix I) it was said that, on a narrow view, the A merchants might benefit financially in consequence of the introduction of grading (for which they would be paid by the Board) and the

necessity to regrade for customers, but that this was far outweighed by the long term effects on their trading activities at home and abroad. If they had to offer a different article at a higher price they would, or might, lose their connections; alternatively the customer would have to pay more for a less acceptable article.

Evidence was given to the effect that grading would involve purchasing and stocking more wool to obtain the necessary spread of characteristics and consequently would increase costs. Merchants would find it more difficult to meet the needs of individual customers.

Samples of Cheviot wool were produced to demonstrate widely varying characteristics. These samples had been taken from different districts of Scotland but would, it was claimed, have all fallen within one of the Board's existing grades. Broadly, the characteristics of Scottish wool varied according to the region of production, but there were variations within the regions and even within particular localities. The Board's present system of grading did not take account of characteristics. It involved the mixing of producers' clips and the consequent diffusion of characteristics. This would adversely affect the merchants' businesses in meeting the individual needs of their customers. In buying intact clips under the present system, merchants were able to use their expertise in choosing the clips which would most closely meet their needs and frequently all the characteristics and qualities needed could be found in one clip.

Witnesses were questioned about the possibility of a grading system which would avoid the diffusion of characteristics. A system which kept wool from different areas separate and distinct would go some way to meet the problem, and would be preferable to the Board's present system, but it would be satisfactory only if it resulted in segregating wools of the same characteristics. Grading in the clip would be the best system if it were practicable.

The complainants contended that sale in the clip would offer even greater advantages if the origin of the wool sold in intact clips were indicated at auction sales. They had suggested this in memoranda to the Board in December, 1959, and January, 1960.

24. Furthermore, in addition to the points summarised in the preceding paragraph, the complainants contended that the Board's decision to extend grading to all Scottish mainland wool was unjustified

and not in the public interest. One of the Board's objectives was to sell wool at the highest possible price and this indicated that the interests of the consumer were either being exploited or ignored. The Board had acknowledged that no net economic advantage could be forecast from the grading of all Blackface wool before sale. This wool accounted for over 50% of the Scottish clip, and a higher proportion of the total sold in intact clips. In proposing to abolish the sale in intact clips of this significant proportion of the total, the Board were making a radical change which would produce no benefit, no valid reason had been adduced for so doing and the consequences had not been considered.

25. A report had been obtained from a Chartered Accountant giving an analysis of sales of Scottish fleece wool during the seasons 1956/7-1958/9. This showed that the average price realised for intact lots of Blackface wool was greater than that for graded lots in 22 out of 23 sales at which both types were offered and that the average difference in favour of intact lots was 3.82d. per lb. In the case of Cheviot and Halfbred wool, graded lots realised a slightly higher average price than intact lots. The small quantity of Cross wool involved made any comparison for that breed unreliable. The complainants contended that the following conclusions might validly be drawn from the report:

(i) as a general rule, the market preferred intact clips to graded wool;

(ii) in the great majority of cases where reasonable quantities of both intact clips and graded wool were offered at a sale, intact clips realised better prices than graded wool;

(iii) over the long term, Blackface wool, in particular, realised better prices when sold in intact clips. The additional cost incurred in grading the smaller Blackface clips had therefore been totally lost. (This applied also to Cross wool, the production of which is comparatively small);

(iv) over the long term, Cheviot and Halfbred wool realised so little more when sold graded that the additional cost of grading had not been fully recouped.

26. Two merchant witnesses called by the complainants considered that the grading of all Scottish mainland wool would not improve prices. One said he was prepared to pay more for an intact clip than for best graded wool of similar type if it was exactly what he wanted;

the other expressed the view that, if grading was generally introduced, the overall Blackface price would be lower.

27. Figures were produced during the course of the hearing of prices realised at Scottish auctions for Blackface and Cheviot wools in September and October, 1961. The figures given related to the best lots of both intact and graded wool. This comparison indicated that, in a few specific cases at auctions, higher prices were paid for intact clips than for the top grades of the same types of wool.

28. Furthermore, it was contended that the average price realised for Scottish wool at the Board's auction sales from 1950/51 to 1958/59 had, with the exception of one season, been higher than the average for the United Kingdom.

29. An economist who had prepared a report for the complainants was of opinion that, as consumers wanted the lowest possible prices, the policy of the Board, as a monopoly seller, should not be directed towards obtaining higher auction prices. Consumers were generally small and weak compared with producers and he felt it was essential to see that their interests were adequately protected, particularly in the case of wool where there was no alternative marketing organisation to the Board. Any extension of grading in Scotland was, in his view, unlikely to influence auction prices to any material extent, compared with the influence exerted by world market prices and competition from man-made fibres.

30. The witnesses called on behalf of the Board included five of their members, amongst whom was the Vice Chairman (the Chairman was prevented by ill health from giving evidence), and the Manager (who is also the Secretary of the Board).

31. The Board's contentions in relation to the complaint in paragraph 20(1) can be summarised as being that the grading of all Scottish mainland wool would enable the Board:

- (1) to value such wool in accordance with the provisions of the Scheme under which regard must be had to the class, condition and quality of the wool. The Board considered that this could only be done effectively by grading the wool. Under the present system, appraisers could inspect only a small proportion of the fleeces in a clip and an accurate valuation was difficult to obtain.

In evidence, the Board's senior appraiser in Scotland said that it was physically impossible to inspect more than a very small proportion of each clip under the present system and in his view

it was very difficult to reach a fair and accurate valuation of the whole clip by this means. He indicated the proportion of a clip he would normally examine, from which it appeared that he would open about one-seventh of the containers and examine 6-8 of the 25-50 fleeces in these containers.

(ii) to make payments to producers which were more consistent with the true market value of the wool and so encourage them to produce the most valuable types of wool.

There was evidence that appraisal could not make distinctions of quality in the way in which they could be made by grading.

It was stated that the Council of the National Farmers' Union in Scotland, and Scottish producers generally, were in favour of an extension of grading to all Scottish mainland wool and the Board's Regional Committees⁽¹⁾ in Scotland had passed resolutions in favour of full grading.

(iii) to offer an article more attractive to buyers and remove risks to the buyer inherent in the sale of intact clips and so obtain in general a better net realisation price.

Under the present system for Scottish mainland wool, there could be no assurance that the whole clip would conform to the sample at auction and an unknown quantity of unsuitable wool might be included. These uncertainties must tend to reduce the numbers of buyers prepared to bid and so must keep prices lower. The risk to buyers was less when they were also A merchants, in so far as they bought their requirements from clips they had stored on behalf of the Board. Under the system for implementing the price guaranteed to producers a higher net realisation price at the Board's auction sales would reduce the call on public funds. It was therefore in the public interest that, in selling wool, the Board should use their best endeavours to obtain the best possible price.

The Manager said that the Board had considered the report prepared for the complainants by a Chartered Accountant (see paragraph 25) but submitted that it was of little practical value for the following main reasons:

(1) Paragraph 34 of the British Wool Marketing Scheme, 1950, provides for a Committee to be set up for each region. For the purposes of the Scheme, Scotland is divided into three regions. Each Regional Committee is elected by producers and has the duty of reporting to the Board on the operation of the Scheme in the region and advising when consulted by the Board, on the desirability of any proposal in so far as it concerns producers in the region.

(a) it did not allow for seasonal price variations;

(b) the Blackface clips now sold intact contained more valuable wool than those sold graded. (Ewe wool realised a higher market price than hogg wool. The wool from the hogs of a flock was usually packed separately from the ewe wool and, because there were fewer hogs than ewes in the normal flock, a greater percentage of the hogg clips weighed less than 1,500 lbs. Graded wool therefore contained a higher proportion of hogg wool than did wool sold in intact clips. Furthermore, "short fine" Blackface wool realised lower market prices than "medium" and "deep" and there was a higher proportion of "short fine" Blackface in the wool sold graded because Blackface flocks producing "medium" and "deep" wool tended to be larger than those producing "short fine");

(c) the comparisons of prices for intact clips and graded wool were unreliable on a weight basis because buyers would expect the actual weight of an intact clip to be greater than that shown in the sale catalogue and the weight of a graded lot to be less. Intact clips were weighed in the summer (the period of minimum humidity) and sold, at that weight, mainly in the autumn and winter and their moisture content would increase during storage before sale. Graded lots, on the other hand, were weighed in the winter, when humidity was at its highest, and could be expected to lose moisture before the late winter and spring when they were normally sold.

Further support to these arguments was given in two memoranda prepared for the Board in August, 1960, which were produced by the Manager during cross-examination but the technical officers who assisted in the preparation of the memoranda did not give evidence. The conclusion that the Board reached from these memoranda was that, when the figures in the Chartered Accountant's report had been adjusted to take account of these factors, graded Blackface wool showed an estimated margin of 1.8d. per lb. over intact clips, instead of the alleged deficit of 3.82d. per lb. In the opinion of the Board, the higher price they would receive for selling all Blackface wool in the graded state would more than cover the cost of grading and their net return for Cheviot and Halfbred wool would be considerably increased.

The General Manager of the Committee of London Wool Brokers, who conduct the Board's auction sales, said that the Committee considered that buyers would pay more for graded wool. Under the present system the samples of intact clips were unreliable;

purchasers of ungraded lots were left with unsuitable wools which involved them in additional expense and might mean that they had to dispose of the wool uneconomically. Bidding for graded lots at Scottish sales was brisker than for intact lots; the number of bids for intact lots might be large but the witness considered that the bidding started at an artificially low level.

It was stated for the Board that the additional cost of grading all Scottish mainland wool was estimated at £27,000 a year. If this was not recovered by higher average prices at auction, the cost would fall on the producers of wool in the United Kingdom - and would only amount to 0.08d. per lb.

(iv) finally, grading would not prevent buyers or users from obtaining wool with the characteristics suitable for their purposes and indeed would assist them in so doing.

The Board were prepared to discuss with buyers and users the descriptions of the grades to be used so as to provide grades, as far as practicable, that met their requirements. The Manager said he would agree to an increase in the number of grades if this was of any help to the trade. He stated that the question of grades had been discussed by the Board's Joint Committee⁽¹⁾ and Buyers Committee⁽¹¹⁾. There had also been discussions with certain Scottish buyers, who had refrained from expressing views on grades for 1962 so as to avoid any retraction from their stand against the extension of grading. The Buyers Committee had considered the possibility of territorial grading for Cheviot wool but had not considered this to be necessary.

Several of the Board's witnesses dealt with the characteristics of wool, and accepted their importance. One merchant member of the Board said it had occurred to him during the hearing that it would be desirable if A merchants kept separate the wool of the same grade from different areas and if the area was indicated at auctions.

(1) The Joint Committee is an advisory Committee which the Board is required to set up under paragraph 33 of the British Wool Marketing Scheme, 1950. It consists of persons nominated by organisations concerned with the marketing, processing and manufacture of wool, and of Board members.

(11) The Buyers Committee was set up by the Board in 1959 to advise them on all matters concerned with the sale of wool. It is composed of buyers, representatives of the Committee of London Wool Brokers, who conduct the Board's sales, and representatives of the Board.

The Manager agreed that characteristics and geographical areas were closely interrelated but considered that grades already distinguished characteristics and could be extended to this end; grading to physical factors would automatically create grades which to a considerable extent were related to area. Apart from Cheviot wool in Scotland the name of a particular area would not convey much information to buyers.

32. As to the effect of the extension of grading on buyers and users of Scottish wool, witnesses for the Board made the following points:

(i) one English carpet manufacturer was of opinion that there was no advantage to be gained in purchasing wool in intact clips; he preferred to buy graded wool as it obviated certain difficulties inherent in intact clips and therefore curtailed expense. However, it emerged in cross-examination that he sometimes found it difficult to differentiate between intact clips and graded wool. An English buying broker said that he was able to meet the requirements of his clients for carpet wool more easily from graded wool.

(ii) evidence was given by a buyer of Cheviot hogg wool for a firm of Scottish tweed and woollen manufacturers that he preferred graded wool but could not always obtain sufficient for his requirements. The better Cheviot hogg wool was at present graded.

(iii) the Manager did not anticipate trouble from the Italian market if grading was introduced. The requirements of the market could be met from graded wool and one of the existing grades, namely Selected Deep Blackface, was particularly suitable. Another witness exported small quantities of both Northern Irish and Scottish wool to Italy. The Northern Irish wool was graded and he had had no difficulty in selling it to Italian importers and indeed his Italian customers' requirements could be met more easily from graded wool than from intact clips.

(iv) the Scottish A merchants, when buying at sales in their private capacity were in a privileged position because they knew the contents of clips which they had stored in their own warehouses in their capacity as agents for the Board.

(v) witnesses who were not A merchants said that they were unable to rely on the contents of intact clips as the samples at auction did not always give a true indication of the bulk.

33. As against the Board's case it was submitted on behalf of the complainants that the existing system had been in force for many years and it must follow that the Board, until recently, had had no evidence to justify a change or, alternatively, had consistently ignored any such evidence. The Board's doubts about the system of appraisal amounted to a criticism of their own appraisers and producers would have appealed against valuation more often had they not been satisfied. Finally, it was said that it was significant that only one independent witness from Scotland had been called on behalf of the Board and none of their technical officers had given evidence in support of the Board's assessment of the probable effect of grading on prices. In these circumstances it was submitted that the Board had not fully considered the implications of grading and had not produced evidence to substantiate the view that the decision to extend grading to all Scottish mainland wool was in the public interest. The importance that the complainants attached to the retention of the individual characteristics of intact clips was emphasised and it was contended that these would be extinguished by grading.

34. In considering the complaint in paragraph 20(1) we have directed our attention in the first place to part (a) of our terms of reference, which requires us to report on whether any provision of the Scheme or any act or omission of the Board is contrary to the interest of persons affected by the Scheme. As stated in paragraph 7, we regard the word "interest" as being qualified by the word "reasonable".

35. We think it appropriate to observe that the actual grades which are to be applied to Scottish mainland wool are not known. We have therefore considered the complaint from the standpoint of whether or not interests will be affected by the introduction of grading as known in the rest of the United Kingdom and our conclusions are consequently based on this assumption.

36. We think it important to get into perspective the quantities of wool involved. From figures provided by the Board, it appears that the total consumption of raw wool in Scotland in 1960 from all sources was about 75 million lbs. Rather more than half of this was used in the manufacture of carpets and rugs and nearly all the rest in woollen manufacture including the manufacture of tweed.

37. The Board's figures show that the total quantity of wool sold in 1959/60 at the Board's auction sales in Scotland was 24.3 million lbs., of which 10.7 million lbs. was sold intact. So far as 1959/60 is concerned, the complaint relates to this figure. Of the

24.3 million lbs., 14.7 million lbs. was bought by Scottish buyers and 9.6 million lbs. by other buyers. The Board's Manager suggested that only about 9 million lbs. was retained for consumption in Scotland, of which a very large part was used in the Harris tweed industry. Furthermore some 6 million lbs. of Scottish wool was exported by Scottish buyers.

38. These indications are confirmed to some extent by the following figures produced by the complainants of "Sales outlets of Scottish buying brokers" for the 1959 clip:

| | <u>Million lbs.</u> |
|------------------------------|---------------------|
| Harris tweed manufacturers | 6.8 |
| Other Scottish manufacturers | 1.5 |
| Exports of raw wool | 5.6 |
| Other U.K. Customers | 0.6 |
| | <u>14.5</u> |

39. The main categories of persons said to be adversely affected are those engaged in:

- (i) the carpet industry in Scotland;
- (ii) the Harris tweed industry and the manufacture of other Scottish woollen goods;
- (iii) the export trade in Scottish raw wool, and
- (iv) business as merchants.

40. As to (i), it is apparent from the figures in paragraphs 36 and 37 that the quantity of Scottish wool used by the carpet industry in Scotland in the form of intact clips is very small. The evidence amounted to no more than an expression of opinion that although an extension of grading would not be harmful to the carpet industry it was unnecessary and in these circumstances we cannot regard the Board's decision as contrary to the interests of this industry.

41. Under (ii) of paragraph 39 we have directed our attention in the main to the Harris tweed industry. We have taken account of the fact that none of the "Orb" manufacturers gave evidence and no witness was called from the Hebridean Spinners Advisory Committee but that a written memorandum was submitted by this body (see paragraph 23(ii)). In addition, two letters written by the Chairman of the Hebridean Spinners Advisory Committee, in his private capacity as a

manufacturer of Harris tweed yarns, were exhibited. The first letter, written to the Board in 1957, suggested that a reduction in the proportion of Blackface wool which was graded would be disadvantageous to him but the second, dated October, 1961, made it clear that in his opinion the grading of all Scottish mainland wool would not be in the interests of the Harris tweed industry.

42. As to the "Shield" manufacturers, there was some evidence that grading would involve the stocking of larger quantities of wool to obtain the blends required which would tend to increase costs in financing, handling and storage. We feel that this must depend on the actual grades that are introduced and the extent to which they take account of the characteristics of the wool and it has not been established to our satisfaction that the interests of the "Shield" manufacturers are likely to be substantially harmed. In the absence of any direct evidence from the "Orb" manufacturers, statements made by the Chairman of the complainants to the effect that an extension of grading was unnecessary to them but would not be harmful lead, *prima facie*, to the conclusion that the interests of the "Orb" manufacturers would not be adversely affected if grading was universally introduced.

43. As to other manufacturers of woollen goods, one merchant stated that grading would make it commercially impracticable to manufacture a particular kind of soft homespun tweed but there was no direct evidence to this effect from manufacturers. We do not consider the extension of grading to be harmful to these interests.

44. The evidence from the export trade (paragraph 39(iii)) was solely related to Blackface wool for the Italian mattress trade and we have confined our consideration to this topic. It was suggested that if all Scottish mainland wool was graded, the regrading required to suit the requirements of the Italian market would cause damage to the individual fleeces. Whilst we accept that additional handling of fleeces obviously increases the potential risk of damage, and so of loss to the exporter, we are not convinced that this risk is of sufficient substance to have harmful effects on the exporters of Scottish wool to Italy. In fact, the exporters did not express fears that their profit margins would be less if full grading were introduced. The evidence did not suggest that the exporters would not be able to continue their trade under a system of grading and we see no reason why grading should have any really harmful effects on this trade with Italy.

45. We have given careful consideration to the position of the Scottish merchants (paragraph 39(iv)) as buyers of the Board's wool.

It has already been stated that they usually act as A merchants in collecting and storing wool.

46. We must record that though we are satisfied that the interests of the Scottish merchants, in their capacity as buyers of wool, would be adversely affected by grading, this case was not strongly developed. The complainants were more concerned to show that grading would not be in the public interest - that prices would be lower, that farmers would not benefit, that the inherent characteristics of some wool would be diffused and that the export trade would suffer - than that the interests of particular individuals would suffer. Nevertheless, we think that the merchants would suffer under full grading. The acquired skill which they possess of assessing wool in the clip would no longer be needed to the same extent and they will lose that part of the inherent value of their business which derives from the preferential position they hold at present in relation to other buyers. We also attach some weight to the complainants' views that, under a grading system, merchants would find it necessary to buy and store larger quantities of wool in order to meet the needs of their individual customers and so would incur additional expense. It is difficult to assess the extent to which the interests of these merchants are affected. We have little doubt that the Scottish merchants could, and would, adapt themselves to grading and indeed they expressed no fears that it would seriously interfere with their businesses. However we have come to the conclusion that the extension of grading to all Scottish mainland wool would have some adverse effect on the interests of the Scottish merchants.

47. As we have come to the conclusion (paragraph 46) that the Scottish merchants would be to some extent adversely affected we must go on to consider whether the extension of grading to all Scottish mainland wool is not in the public interest.

48. We are impressed by the argument for the Board that grading of all Scottish mainland wool would enable them to relate the level of payments to individual producers more closely to the value of their wool. We regard the introduction of a system which provides a more direct link between the market value of a particular description of wool and the price the individual producer of such wool receives as an incentive to the production of the more valuable wool. In our view, such an incentive would be in the best interests of Scottish wool production generally and, in particular, in the ultimate interests of consumers. We also consider that a financial differentiation in favour of the producer of the more valuable wool is fair and equitable as between producers.

49. It was submitted on behalf of the Board that grading would increase their return at the sales with consequent benefit to the Exchequer. In evidence, the complainants did not strongly develop the contention that users' prices would be increased by grading. They contended that auction prices would not be increased and might indeed be reduced. They also maintained that it should not be the object of the Board to aim at higher prices; this we do not accept.

50. On the question whether the Board's net return would be increased by grading we accept that in theory the process of grading should increase the sale price of any article. Graders are chosen for their knowledge and experience and as such can be relied upon to produce a uniform selection of an assured quality, and in our opinion buyers in general would be prepared to pay more for a graded article than for a product the quality of which was open to some element of uncertainty.

51. Any view of whether or not wool now sold in intact clips would in fact fetch a higher price if sold graded must, as Counsel for the Board accepted, be based on a balance of probabilities. We were furnished with comparisons between prices realised for wool sold in intact clips and graded wool over three years and these figures showed that Blackface wool generally attracted a higher price when sold intact than when graded before sale. The crux of the matter seems to lie in the contents of these intact Blackface clips, and it was contended for the Board that the reality was that they in fact consisted of the more valuable types of wool. This was not seriously disputed by the complainants.

52. We accept that a certain proportion of clips now sold intact appear to command a premium because of their particular characteristics and this may well be lost if characteristics are diffused by grading. We feel however that this is exceptional and generally we would expect grading to result in a higher average realised price.

53. Reference was made during the hearing to "pies" or "rings", that is an agreement between persons whereby one bids and others share the wool purchased, and to the existence of these practices at auction sales generally. We have no reason to believe that such practices would affect our conclusion that grading should attract more buyers and that there should be increased interest at the sales.

54. We also take the view that it is to the seller's advantage if the product is sold in a form which is attractive to buyers and we anticipate that the Board will provide the most acceptable grades. In our opinion, the Board should be entitled to exercise their

discretion as to the particular form in which the product is presented unless it is evident that harmful effects will follow. In this connection we think it appropriate to observe on the complainants' contention that characteristics are most important in meeting the requirements of specialist users. This is a subject on which there is bound to be at least a certain degree of mystic. We are impressed by the complainants' case that the retention of characteristics is important, particularly as it was fortified by evidence from some of the witnesses called on behalf of the Board. We feel, however, that the difficulties which the complainants foresee are not insuperable or incapable of being met under a grading system. The Board stated that they were still prepared to discuss with the persons concerned the nature of the grades to be used, so as to provide grades which would suit buyers' and users' interests as far as possible. In the course of the hearing reference was made to the possibilities of having more grades (whether territorial or other), of segregating wool in merchants' warehouses before sale according to the region of production, and of grading in the clip for the very large clips. It is in our view unfortunate that there was no effective discussion between the complainants and the Board about characteristics and the way in which they could be retained under a grading system before the complaint was made and we would draw attention to the importance we attach to the retention, so far as possible, of characteristics in operating a system of grading.

55. For the reasons set out in paragraphs 48 and 50 - 54 we have come to the conclusion that the extension of grading to all Scottish mainland wool is in the public interest.

56. We now deal with the complaint set out at paragraph 20(2) (ii).

57. In March, 1961, a member of the Board discussed with the Chairman a visit which he proposed to make to Italy in his private capacity. The Chairman suggested that the Board's Chief Technical Officer might accompany him and it was agreed that he should do so.

58. On 5th April, the Chairman, Vice Chairman and the Manager discussed the possibility of the Manager accompanying the Chief Technical Officer and, although he at first resisted, it was agreed on 20th April that the Manager should take part in the visit. Meanwhile, on 18th and 19th April, the Board's economist wrote to official organisations in Italy saying that the Board wished to extend their knowledge of the trade in wool for mattresses in Italy and asked for certain information.

One question was:

"How is the wool bought? We understand that in general importers buy their supplies from U.K. selling brokers, but we would like to know whether there is scope for importers to buy direct at our auction sales. We should also like to know whether importers know about conditions in the British wool market and if it would be of benefit to them if they had further knowledge of such conditions".

59. On 21st April, the Secretary of the complainants wrote to the Italian Wool Association saying that the complainants were resisting the extension of grading to all Scottish mainland wool, stating the complainants' assessment of the position and asking for the views of the Italians.

60. On 8th May, and subsequently, further letters were sent from the Board to Italy stating that the Manager would like to discuss a scheme for the promotion of the sale of wool mattresses in Italy with some financial assistance from the Board. Early in May the Italians suggested that the Manager and the Chief Technical Officer should attend a meeting with wool merchants. The Manager enquired the purpose of the meeting and understood, in a telephone conversation through an interpreter, that the object of the meeting was to discuss mattress wool publicity. The meeting was arranged for 19th May in Milan. On 16th May the party left for Italy. At the meeting in Milan on 19th May, the Manager was questioned on the Board's decision to extend grading to all Scottish mainland wool.

61. On 15th and 16th May, letters were sent by Scottish merchants to their Italian customers in connection with the Board's decision to extend grading. A report of the meeting in Milan was sent to one of the Scottish merchants on 20th May by his agent in Italy and in June two of the witnesses called by the complainants made a visit to Italy.

62. In their written representations (document 1, Appendix II) the complainants alleged that representatives of the Board, the Manager and the Chief Technical Officer, visited Italy for the express purpose of influencing Italian wool importers to accept grading and whilst there, stated that the system would operate from 1st May, 1962, failed to inform the importers that a complaint had been made to Ministers and invited the importers (including customers of the complainants) to discuss grading arrangements. The complainants contended that this conduct was improper and was likely to affect the interests of the complainants with their Italian customers.

63. During the hearing two main heads of complaint were relied upon: firstly that the Board's approach to the Italian customers of merchants, without the merchants' knowledge or consent, sought to influence them in relation to a dispute which was the subject of a complaint and was both indefensible by ordinary commercial standards and improper, and secondly that the Board's attempt to influence Italians to buy direct at auctions, and so circumvent Scottish buyers, was most improper and could be construed as an attempt by the Board to exploit its monopoly powers unfairly, the Board being the sole purveyor of United Kingdom wool at Scottish auctions.

64. We heard evidence from the Vice Chairman, another member of the Board and the Manager, the effect of which was that the purpose of the visit was to obtain as much information as possible about the export trade in wool to Italy and to pursue the possibility of a wool promotion campaign. The visit was not inspired by the fact that a copy of the letter of complaint dated 17th April had been received by the Board within a day or so. Nor did the representatives of the Board go to Italy for the purpose of influencing Italian importers to accept the Board's decision. The Vice Chairman stated that even if this had been the intention he would not have considered it to be improper. On only two occasions during the visit was grading discussed, in both instances on the initiative of the Italians themselves. The Board's representatives had confined themselves to answering questions on grading and had not suggested that the Italian importers should buy direct at Scottish sales. The Manager had said in reply to questions from the Italians that their best course would be to continue to buy through Scottish exporters. The Manager agreed that the visit had appeared to cause disquiet and suspicion in the minds of Scottish buyers but considered such suspicion to be unjustified.

65. On the first part of the complaint in paragraph 20(2) (ii), we are not satisfied that the purpose of the visit by the Board's representatives was to influence Italians in favour of the Board's decision to grade all Scottish mainland wool. We cannot but feel, however, that the possibility of an investigation must have formed a strong element in the decision to send the Manager to Italy. To take any other view would, in our opinion, be pressing coincidence too far. The export trade, which we consider can reasonably be taken to mean the Italian mattress trade in this context, was raised by the complainants as early as January, 1960. We believe that the Board was precipitated into taking action by the written complaint dated 17th April, 1961, which specifically referred to the export trade, and that they were anxious to obtain as much knowledge as possible with regard to this aspect of the matter. We do not think that there

was anything necessarily improper in the decision to make the visit but we are of opinion that the Board were ill advised in not informing the complainants of their intention. It appears, however, that relations between the parties were somewhat strained at the time and we do not think that it can be said that the Board were solely to blame for this situation. We are satisfied that during the course of the visit the Board's representatives did not seek to exert any influence on the Italians in favour of the decision to grade. There was no evidence that they sought to raise this matter and we do not consider that it was in any way improper for them to answer questions put to them on the subject.

66. As to the second part of the complaint in paragraph 20 (2) (ii) we do not regard the passage in the letter referred to in paragraph 58, which we look upon as a general inquiry from the Board's economist, as constituting an attempt to influence the Italians to buy direct at sales and have no evidence that the visit by representatives of the Board was in any way designed to exert such influence. We accept the Manager's evidence that when this question was raised during the visit he advised the continuance of the present practice of buying through Scottish brokers. In any event, in our opinion there is nothing improper in the Board's wishing to attract the maximum number of buyers to their sales.

SUMMARY OF CONCLUSIONS

67. Our terms of reference are set out in paragraph 1. We have considered and reported on the complaints defined in paragraph 20, apart from the complaint which was withdrawn during the hearing. We summarise our conclusions as follows:-

(i) on the complaint that the Board's decision to extend grading to all Scottish mainland wool is contrary to the interests of buyers and users of such wool and is not in the public interest, we conclude that the Board's decision is, to some extent, contrary to the interests of Scottish merchants, but that it is in the public interest;

(ii) we do not consider that the complaints that the Board sought, by means of a visit to Italy by their representatives, to influence Italian importers to accept grading of all Scottish mainland wool and to circumvent Scottish merchants by influencing Italian importers to buy direct at Scottish sales to have been substantiated and are unable to find anything relating to this visit which can be regarded as contrary to the interests of persons affected by

the Scheme. The question of the public interest does not arise in this connection.

68. We desire to express our deep sense of gratitude to our secretary, Miss E.M. Price, who discharged her duties with untiring efficiency and courtesy, also to Mr. W.M. Stewart the assistant secretary for his unfailing assistance throughout our proceedings. Finally we are greatly indebted to Mr. J. Cornack of the Department of Agriculture and Fisheries for Scotland for placing at our disposal his knowledge and experience.

We have the honour to be, Sirs,

Your obedient Servants,

DAVID KARMEL

S.A. BOYD .

E.W. CRAIG

J.A. JACKSON

R.F. KHAN

ALIX MEYNELL

JOHN RYAN

E.M. Price (Secretary)

W.M. Stewart (Assistant Secretary)

12th March, 1962.

Agricultural Marketing Act, 1958

The Secretary of State for Scotland, the Minister of Agriculture, Fisheries and Food and the Secretary of State for the Home Department in pursuance of the powers conferred upon them by sub-section (3) of Section 19 of the Agricultural Marketing Act, 1958, (as extended by sub-section (5) of Section 53 of the said Act) have given instructions that their directions be conveyed to the Committee of Investigation for Great Britain that the Committee are to consider, and report to them upon, the complaint as to the operation of the British Wool Marketing Scheme, 1950 as amended, which has been made by the Scottish Wool Trades Consultative Committee, 105 St. Vincent Street, Glasgow, C.2., as set out in the letters dated 17th April, 1961, and 10th July, 1961, copies of which are appended hereto.

And the Ministers have further directed that the Committee, without prejudice to any other relevant matter upon which the Committee may wish to observe, be asked to report:

- (a) whether any provision of the British Wool Marketing Scheme, 1950 as amended, or any act or omission of the British Wool Marketing Board, of which provision, act or omission complaint has been made in the above-mentioned letters, is contrary to the interest of any persons affected by the Scheme;
- (b) if the answer to (a) is affirmative, whether the provision, act or omission is not in the public interest.

L.S.

Given under the Seal of the Secretary of State for Scotland this Seventeenth day of August nineteen hundred and sixty one.

(Sgd.) J. LAWLESS
Assistant Secretary.

L.S.

IN WITNESS whereof the Official Seal of the Minister of Agriculture, Fisheries and Food is hereunto affixed this Twenty-first day of August nineteen hundred and sixty one.

(Sgd.) J.H. KIRK
Authorised by the Minister.

Signed by direction, and on behalf of the Secretary of State for the Home Department.

(Sgd.) S.H.E. BURLEY
Assistant Secretary.

SCOTTISH WOOL TRADES CONSULTATIVE COMMITTEE

Chairman: Mr. A.D. Edmond, Kilmarnock

REPRESENTING THE
INTERESTS OF SCOTTISH BUYERS
AND USERS OF
SCOTTISH NATIVE WOOLS

Secretary:
John K. Templeton, C.A.,
105 St. Vincent Street,
Glasgow, C.2.
Telephone: CENTRAL 8533
Telegrams: REBUS, Glasgow
17th April, 1961.

The Rt. Hon. John S. MacLay, C.M.G., M.P.,
H.M. Secretary of State for Scotland,
St. Andrew's House,
Edinburgh.

Sir,

I am instructed by the Scottish Wool Trades Consultative Committee to make a formal complaint concerning the action of the British Wool Marketing Board in deciding, in the face of the opposition of the combined Scottish Woollen interests, to introduce as from the 1st May, 1962 a system of grading out for the total Scottish wool clip and to request that the Committee of Investigation shall, pursuant to Section 19 of the Agricultural Marketing Act, 1958, be directed to consider the complaint.

My Committee was established in 1959 to represent the various Scottish woollen interests in their relations with (*inter alia*) the Board. As such the Committee is officially recognised by the Board and appoints nominees to the Statutory Joint Committee. The bodies directly represented on my Committee are (a) The National Association of Scottish Woollen Manufacturers (which includes Independent Harris Tweed Producers Limited); (b) The Kilmarnock and District Woollen Spinners Association (together with the three biggest carpet manufacturers who with the Association virtually cover the whole of the carpet and carpet spinning industry in Scotland); (c) The Wool Federation of Scotland (which includes exporters, brokers, processors, and "A" merchants); (d) The Committee of Scottish Wool Brokers.

Towards the end of 1959 the Board informed my Committee that it was considering the introduction of a system of full grading out

for Scotland. Originally only small clips up to 1,000 lbs. were graded, although in 1958 the Board extended the grading system to clips weighing up to 1,500 lbs. The immediate re-action of those bodies represented on my Committee (and in addition the Hebridean Spinners Advisory Committee which gave full support) was to register a firm objection to the full grading out proposal on the broad grounds first, that such a change was not in the public interest, secondly, that it was contrary to the interests of buyers and users, and thirdly, that it was not in any event otherwise justified.

In support of its proposal the Board produced a report prepared by what was described as a Working Party. Contrary to generally accepted notions the Working Party was in fact a domestic committee of the Board and its officials. It did not include any outside representatives. The material considered by the Working Party was selective; no general invitation was issued to the bodies likely to be affected by the proposal for information or evidence. The report was received by my Committee in December 1959.

In consequence of the claim in the Working Party's report that prices obtained for graded lots were better than those for intact lots, my Committee immediately instructed Sir Ian Bolton, Bt., an independent chartered accountant, to investigate and analyse the sales of Scottish fleece wool in Scotland during the seasons 1956/57, 1957/58 and 1958/59. Sir Ian did so and his main conclusion was that in the case of Blackface wool (representing substantially more than half of all the wool sold in Scotland during the period reviewed) the average price realized for intact lots was greater than that for graded lots in 22 out of 23 sales at which both types were offered. The average difference in favour of intact lots amounted to 3.82 pence per pound.

A copy of Sir Ian's report with a memorandum summarising my Committee's reasons for objecting to the proposal were submitted to the Board on the 25th January, 1960. My Committee was concerned to emphasize that the proposal was detrimental to the public interest and invited the Board to meet its representatives to discuss the matter. Subsequently, there was a full meeting between the Board's Working Party and my Committee on the 23rd March, 1960. (My Committee was informed that there was also an informal meeting on the 22nd April, 1960 between "A" merchants and the Working Party).

Following these meetings the Board's Working Party prepared a further report which was submitted to my Committee on the 31st May, 1960. In this report the Board purported to give an assessment of the position based on the evidence it then had. The report was prepared in

contemplation of a proposed meeting between representatives of my Committee and the Board arranged for the 14th June, but the Board indicated that it only wanted further discussion with regard to the reservations of the Working Party concerning Blackface wool, implying that on all other points its views were final and not open to question. These reservations were to the effect that the Working Party's assessment of any net economic advantage in grading out Blackface had led it to the conclusion that the margin one way or the other would be relatively small.

The report however introduced entirely new issues and in particular included the following:

"It is only fair that you should be informed of certain aspects of the grading out proposal which have not been raised in earlier memoranda or discussions but to which the Working Party gives some weight. The Board is at present under considerable pressure from Government departments to tighten up its arrangements for administering the Government guarantee. It is felt by Government departments and accepted by the Board that the present system of wool marketing in Scotland provides a greater opportunity for malpractice relative to the guarantee than does the system applied elsewhere in the U.K. You will appreciate that there is no allegation that such malpractice occurs, but it has been quite properly pointed out to the Board that the opportunity for it is greater in Scotland."

Because of the further matters raised by the Board my Committee requested that the meeting arranged for the 14th June should be postponed in order that an investigation should be made. The meeting was in fact postponed to the 22nd July.

Meanwhile on the 4th July my Committee submitted a memorandum dealing with the Board's report of the 31st May. My Committee was concerned particularly to know what malpractices were envisaged since under the existing Scottish system the "A" merchant and the Board's appraiser have no personal financial stake in the wool which is valued by the appraiser in the intact state, whereas under the English system the wool is fully graded out and valued by the "A" merchant himself or his grading staff.

At the meeting which took place on the 22nd July the representatives of the Board refused to define the nature of the malpractices envisaged. It emerged, however, in the course of discussion that the statement that the Scottish system provided greater opportunity for malpractice was never in fact suggested by anyone representing a

Government Department. It was no more than a vague conjecture by a Board official. While the Board has not formally withdrawn this particular reason in support of its proposal it is understood that it is no longer relied upon. If indeed it is relied upon it has no conceivable basis in fact.

The tenor of the meeting on the 22nd July led the representatives of my Committee to believe that the Board had clearly made up its mind and was not concerned to discuss the various matters identified by those in opposition to the proposal. The Board was therefore informed that my Committee would take all proper constitutional steps to fight the proposal.

On the 22nd September, 1960 the Board informed my Committee that it had unanimously decided to apply the graded out-turn system to the wool clip of the Scottish mainland as from May 1962. Following this announcement the Board was made aware that the various interests represented on my Committee were challenging the decision. But, as my Committee was anxious to avoid taking steps which would lead to a reference to the Committee of Investigation, consideration was given to other means of attempting to persuade the Board of the unwisdom of the course being followed. After separate discussion by the bodies represented on my Committee (and others not directly represented) it was finally decided to invite an independent economist to investigate the matter. Accordingly all the relevant material and statistics were collated and submitted to Mr. P.E. Hart of the Department of Social and Economic Research in the University of Glasgow.

His report, entitled "An Economic Criticism of the British Wool Marketing Board's proposal to extend the grading of wool in Scotland" was received in March and copies were sent to the Board and to the Department of Agriculture. In a letter dated 6th April, 1961 the Board wrote that after giving serious consideration to Mr. Hart's report its contents were not such as to influence the Board to change its decision. My Committee has therefore decided to make this Complaint in order to have the dispute determined independently.

In the Report of the Committee of Investigation published in 1958 it was pointed out that the Board in the exercise of its duties should be careful to avoid conduct and courses of action which might reasonably be construed as attempts to exploit its monopoly powers unfairly. My Committee respectfully submits that this caution has not been heeded. During the negotiations my Committee has constantly felt that no real regard has been paid to any of the contentions urged against the proposal or to the criticisms made of the grounds identified by the Board in support of the proposal. No single

instance can be recalled either in the exchange of memoranda or in discussion when any point made by my Committee was either acknowledged as valid or conceded by the Board. Its attitude throughout has been inflexible and unyielding.

My Committee believes that the Board's decision is unjustified, not in the public interest, and further that the Board's conduct and course of action in arriving at the decision may reasonably be construed as an unfair exercise of its monopoly powers for the following, among other, reasons:

(a) With no direct knowledge or experience of, and without any enquiry into the specialist requirements of

- (i) the home carpet trade,
- (ii) the Harris and other tweed industries, and
- (iii) the export market (particularly in Italy),

for intact clips, the Board has either unjustifiably rejected or failed reasonably to consider the views of bodies principally concerned with meeting such requirements and either represented on my Committee or giving support to it.

(b) The Board, despite the fact that it is part of the Government's policy to encourage exports, has paid no or no adequate attention to the detrimental consequences likely to flow if intact clips are abolished. In this context statistics furnished to the Board appear to show that a decline of 9% in the export from Scotland of Blackface wool occurred following the extension in 1958 of grading of clips from 1,000 lbs. to 1,500 lbs.

(c) During negotiations the Board persistently and perversely maintained the view that the opposition to its proposal came mainly from the "A" merchants belonging to the Wool Federation of Scotland. This is an entirely erroneous view and the Board's representatives have repeatedly been so informed. As late as the 22nd July, 1960, on the occasion of the last joint meeting, the Board demonstrated a surprisingly ambiguous attitude in relation to the representative character of the interests who had combined to oppose the proposal, (though it was its duty to be familiar with their status and authority because of the official recognition accorded to the Committee by the Board) and in accordance with its request particulars were given in writing on the 25th July, 1960 of the constituent members of my Committee. So far as concerns the "A" merchants the Board had been informed that they would in fact benefit individually from the introduction of

the system because they would be paid the additional cost of grading out at the expense of the wool producer, the user or the tax payer. The opposition of merchants was derived from their conviction that buyers and users of intact clips in the home and export market would be detrimentally affected if such clips were no longer available.

(d) One of the objectives proclaimed by the Board in support of its proposal was to sell the wool bought from the producers at the highest possible price. The Board thus indicated that the interests of the consumer were either being ignored or exploited. In this context the Board seriously misconceived its obligations to the public interest.

(e) The Board acknowledged that in respect of Blackface wool no net economic advantage could be forecast from the introduction of grading out. Blackface wool constitutes over fifty per cent. of the total Scottish clip and represents a substantially higher proportion of the total of intact clips, amounting in 1959/60 to about 67%. In proposing to abolish the intact clip in this significant proportion of the total parcel the Board is making a radical change which will admittedly produce no benefit, without adducing any valid reasons for so doing and without considering the consequences likely to follow by so doing.

(f) The Board wrongly failed to recognise, alternatively to acknowledge, the character of the bodies opposed to the proposal or the extent of the opposition. Further the Board maintained during the negotiations an unreasonable attitude in reserving for consideration or discussion only those issues stipulated by the Board, and excluded from consideration or discussion relevant matters and/or matters upon which the representatives of my Committee wanted discussion.

(g) The Board failed to act with due propriety and frankness in that having deliberately attributed to Government departments an official view concerning the opportunity for malpractices in Scotland it did not until pressed by representatives of my Committee admit that no such view was ever in fact expressed.

Due to the fact that the new five year contract between the Board and the "A" merchants must be signed by the end of this month the Scottish "A" merchants have necessarily been obliged to ask for the insertion of a provision which reserves their rights in respect of the Board's proposal to introduce the system of full grading out in

Scotland as from the 1st May, 1962. The terms of the relevant clause have now been agreed as follows:

"Wool received into the Agent's warehouse in Scotland during the year ending 30th April, 1962 shall be dealt with as follows: Daggings, oddments, and all wool produced in the Orkney Islands and Hebrides, shall be graded and valued as foresaid; but the Agent shall not be required to value other wool, and shall only be required to grade clips of other wool weighing less than 1,500 lbs. and clips of other wool which the Board specially require to be graded; but this sub-clause shall not apply to wool collected into the Agent's warehouse in Scotland after 30th April, 1962: provided always that if a complaint relating to the grading of wool in Scotland shall be made to the Minister not later than 17th April, 1961 and the Minister subsequently refers that complaint to the Committee of Investigation pursuant to Sec. 19 of the Agricultural Marketing Act, 1958, and if any variation of this sub-clause shall be necessary for giving effect to any direction of the Minister given pursuant to Sec. 19 (6) (c) of the said Act in consequence of such complaint, then this sub-clause shall be varied in such manner as the Minister, not later than 30th September, 1961 or such other date as the Minister directs, may certify to be so necessary as aforesaid."

In accordance with the time limit stipulated, expressly at the insistence of the Board, this letter of Complaint is being delivered by hand today the 17th April, 1961, and the Board has been so informed.

I am asked finally to say that my Committee has reluctantly been obliged to incur considerable expense in dealing with the Board's proposal, first, in employing Sir Ian Bolton to prepare his analysis, secondly, in obtaining Mr. Hart's report; and in the event that the dispute is referred to the Committee of Investigation substantial additional costs are unavoidable. But the issues at stake are in the Committee's view of such importance to the Scottish Wool Trade that no other course can be reasonably contemplated.

I am, Sir,
Your obedient Servant,

(Sgd.) A.D. EDMOND
Chairman.

SCOTTISH WOOL TRADES CONSULTATIVE COMMITTEE

Chairman: Mr. A.D. Edmond, Kilmarnock

REPRESENTING THE
INTERESTS OF SCOTTISH BUYERS
AND USERS OF
SCOTTISH NATIVE WOOLS

Secretary:

John K. Templeton, C.A.,
105 St. Vincent Street,
Glasgow, C.2.

Telephone: CENTRAL 8533
Telegrams: REBUS, Glasgow

10th July, 1961.

The Secretary,
Department of Agriculture & Fisheries for Scotland,
St. Andrew's House,
Edinburgh, 1.

Sir,

1. My Committee has now had an opportunity of considering your letter of the 27th June, though it is regretted that the absence on holiday of certain members has involved some delay in answering it.

2. First, it should be made clear that my Committee primarily represents the interests of the following bodies who together constitute its entire membership:

(a) The National Association of Scottish Woollen Manufacturers, including the interests of all Scottish buyers and users of Scottish wools who are, as individuals, firms or trade associations (including Independent Harris Tweed Producers Ltd.) affiliated to their organisation;

(b) The Kilmarnock & District Woollen Spinners' Association, together with Messrs. James Templeton & Co. Ltd., Messrs. Blackwood, Morton & Co. Ltd., Messrs. A.F. Stoddard & Co. Ltd., and such Scottish hosiery manufacturers as use yarns spun from Scottish wools;

(c) The Wool Federation of Scotland, including virtually all the firms of buying brokers, merchants, and exporters dealing in Scottish wool and situate in Scotland;

(d) The Committee of Scottish Wool Brokers.

My Committee is not representative of the interests of the ultimate retail consumer in the sense contemplated by Section 19(9) of the Agricultural Marketing Act 1958; but it is, of course, concerned in a broad commercial sense, with the interests of such consumers.

3. Secondly, my Committee is supported in its opposition to the Board's proposal to introduce a system of grading out for the total Scottish wool clip by the following:

- (a) The Hebridean Spinners Advisory Committee;
- (b) Certain English carpet wool spinning interests (who hitherto have purchased Scottish wool in intact clips);
- (c) The majority of the larger Italian importers of Scottish wool;
- (d) The three largest English exporters of Scottish wool to Italy;
- (e) The Scottish Council (Development and Industry).

4. It is claimed that the interests of all the bodies represented on my Committee in addition to the interests of those supporting its opposition are affected by the Scheme for the following among other reasons:

(i) The carpet industry in Scotland (together with certain English carpet wool spinning interests) customarily buys Scottish wool in intact clips. Such purchases are made deliberately in preference to graded wool because of the manufacturing advantages afforded by intact clips. It is the view of those representing the carpet industry that there is no justification for depriving them of the opportunity of exercising their preference for intact clips which for commercial and manufacturing reasons they desire. Furthermore, such interests object that the Board's proposal would not only deprive them of the opportunity of obtaining the product they require in the quality and with the character they seek, but would oblige them to pay higher prices for a graded article. The enhanced cost of clips after grading is inevitable since the grading charges will already have been added to the wool before it reaches the manufacturers and such wool will need to be regraded to suit their requirements with added expense.

(ii) The Harris and Border Tweed industries attach particular importance to the purchase of speciality character wools obtainable

in intact clips. The object of this industry (which has a large and important export market), has been to preserve, in an increasingly competitive market, the distinctive quality and character of Scottish tweeds by maintaining the feel, blends and handle derived from selecting wool in intact clips. The fact that intact clips are consistently used is, in the opinion of the trade and the experts, the main reason why Harris and Scottish tweeds have been able to retain their distinctive appeal in the home and overseas markets. It is considered that wools standardised in the manner proposed by the Board will lose the qualities possessed by the intact clip and impair the essential character of the manufactured product. The Harris and Border Tweed industries know of no reason why they should be denied the opportunity of continuing to purchase intact clips and claim that such a deprivation would involve incalculable consequences to their detriment by standardising a product whose attraction and reputation is its distinctive character.

(iii) The export trade in Scottish raw wool is substantial. The most important element is the export to the Italian mattress trade. The requirements of this trade involve intact clips which are either graded by the Italian importers to their own individual and highly specialised grades or graded by the exporter to the precise instructions of the importer. In neither instance would any system of standardised Board grades satisfy the needs of the importer. Consequently, regrading of standard grades by the exporter or the importer himself would be necessary. This would involve (i) extra cost, (ii) unnecessary damage to the fleeces by handling. Accordingly, the introduction of full grading would necessarily limit the range of products available for offer to the importer and increase the price of the product available, in addition, by reason of regrading, to some damage to the fleeces. Scottish exporters, (and English exporters buying Scottish wool for export), who have maintained a good export trade with Italy consider: first, that they should not be deprived of the opportunity of being able to offer to the export market intact clips; secondly, that in the event that they are so deprived they will be affected to their disadvantage by the probability that trade will be lost due to the increased cost of the regraded product and the reluctance of the importer to purchase it. In this connection a decline of 8% in the export of Scottish Blackface wool occurred following the extension in 1958 of grading of clips from 1000 lbs. to 1500 lbs. Scottish and English exporters of Scottish wool are already facing considerable competition in the export market from competitive wools as well as from wool substitutes and regard the

proposal to eliminate intact clips as inevitably likely to enlarge their difficulties.

(iv) The general market in Scottish wool embraces a wide range of users beyond the categories already mentioned. Traditionally such users purchase intact clips for their specialist requirements. Merchants with an established trade connection now supplying such users with intact clips would be obliged, if the full system of grading was introduced, to regrade standard grades to particular specialist needs. The additional cost of regrading would fall on the users; and to this extent such users are affected. Moreover since the handling of wool in regrading is never regarded with approval - because each successive handling tends to damage the fleeces and extinguish their character - the user with specialist requirements loses the inherent character he seeks and obtains directly from the intact clip, and pays more for a substitute product.

(v) On a narrow view the "A" merchant may benefit financially in consequence of the introduction of full grading and the necessity to regrade for customers at home or abroad. But this financial advantage is of limited importance. In the opinion of such merchants, (who are opposed to the proposal) it is far outweighed by the long term effect on their general trading activities both at home and abroad. The function of the merchant is to cater for and meet the commercial requirements of customers. If he is no longer able to meet requirements which he has formerly satisfied and is obliged to offer a different product at a higher price he will or may lose his connection; alternatively if he keeps it the customer pays more for an article which in the existing market he is not prepared to accept. Each is, according to the circumstances, affected by the Board's proposal.

(vi) Finally, for the reasons given and the absence of any justification to the contrary, the proposed change is not in the public interest.

5. My Committee, as you will see from its constitution, (together with those supporting it in the present Complaint), virtually covers the whole of the Scottish woollen interests, apart from the producers. The combined opposition to the Scheme springs primarily and individually from self interest because each separate interest claims that it will be adversely affected. Such interests are not congruent, for

the measure and extent to which one may be affected does not necessarily coincide with another. But all claim to be affected by the Board's proposal for different and sometimes contrary reasons and all combine in their opposition to the Scheme. If you require a fuller statement of the reasons why each interest claims to be affected by the Scheme to its detriment my Committee will, if directed by you to do so, submit detailed statements.

I am, Sir,
Your obedient Servant,

(Sgd.) A.D. EDMOND
Chairman.

IN THE MATTER OF THE AGRICULTURAL MARKETING ACTS 1931-1958
AND THE AGRICULTURAL MARKETING (COMMITTEE OF INVESTIGATION)
REGULATIONS 1949 AND THE BRITISH WOOL MARKETING SCHEME
(APPROVAL) ORDER 1950

IN THE MATTER OF COMPLAINTS MADE ON BEHALF OF THE MEMBERS
OF THE SCOTTISH WOOL TRADES CONSULTATIVE COMMITTEE TO THE
SECRETARY OF STATE FOR SCOTLAND

REPRESENTATIONS ON BEHALF OF THE COMPLAINANTS PURSUANT
TO THE DIRECTION OF THE COMMITTEE OF INVESTIGATION
DATED 23rd AUGUST 1961

1. The Complainants will refer to and rely upon the matters set out in the letters of complaint dated 17th April and 10th July, 1961 (and the documents referred to therein).

2. Further the Complainants will refer to the conduct of the Board's officers and in particular to the conduct of S.R. Blackley the Secretary/Manager and Harry Haigh the Chief Technical Officer in seeking, by direct contact with Italian wool importers in Italy, (among whom are customers of members of Associations represented by this Committee or supporting its case), on dates subsequent to the receipt by the Board of a copy of the letter of complaint dated 17th April, 1961, to influence such importers to accept without objection the Board's proposal to grade out the total Scottish wool clip. At no time during such meetings did the Board's officers inform such importers that the Board's proposal was opposed and that it was the subject of a complaint to the Secretary of State for Scotland. The officers of the Board declared to the Italian importers without any qualification that the new scheme would be operated as from 1st May, 1962 and invited the importers (including importers who were and are customers of members of Associations represented by this Committee or supporting its case) to discuss grading arrangements. On the 17th June, 1961 the Chairman of the Scottish Wool Trades Consultative Committee wrote to the said S.R. Blackley summarising the information then received by the Complainants concerning the visit paid to Italy by the said Blackley and certain officials of the Board and asked for an explanation. Save for a reply dated the 26th June, 1961 from the Assistant Secretary of the Board named Briggs confirming that the said Blackley and one of his colleagues went to Italy on the Board's

business no explanation has been received in respect of a course of conduct which the Complainants contend was in any event improper and furthermore was likely to affect the interests of the Complainants with customers in Italy.

3. The Complainants ask the Committee to recommend to the Minister that he should give a direction to the Board to reverse the decision taken to introduce a full system of grading out for the entire Scottish clip; the Complainants further ask the Committee, in view of the matters referred to above and other matters referred to in the letters of complaint, to make such recommendations relating to the conduct of the officials of the Board as may be required by facts proved or admitted at the hearing.

Delivered this 13th day of September, 1961 by C.G. Metson & Co. of 58 Mark Lane, London, E.C.3., Solicitors for the Complainants.

IN THE MATTER OF THE AGRICULTURAL MARKETING ACT, 1958
AND THE AGRICULTURAL MARKETING (COMMITTEE OF INVESTIGATION)
REGULATIONS, 1949 AND THE BRITISH WOOL MARKETING SCHEME, 1950

IN THE MATTER OF A COMPLAINT MADE BY THE SCOTTISH WOOL TRADES
CONSULTATIVE COMMITTEE TO THE SECRETARY OF STATE FOR SCOTLAND

REPRESENTATION ON BEHALF OF THE
BRITISH WOOL MARKETING BOARD

1. In this Representation, unless the context otherwise requires "the Board" means the British Wool Marketing Board. "The Scheme" means the British Wool Marketing Scheme, 1950. "Wool" has the meaning set out in paragraph 1 of the Scheme.

2. The complaints relate to a decision of the Board, dated the 22nd September 1960, to grade all wool received on behalf of the Board by its agents in Scotland. This decision is to take effect from the 1st May, 1962. The complaints also refer to the conduct of the Board before and after reaching the said decision.

3. It is desirable to set out in general terms the methods employed by the Board in marketing wool so that the said decision can be considered in its proper context.

4. The Board came into existence in 1950 and was set up to regulate the marketing of wool produced in the United Kingdom. Under paragraph 73(1) (a) of the Scheme the Board was given power to "buy, sell, grade, pack, store, adapt for sale wool". Since 1954 the Board has bought all the wool produced in the United Kingdom (with the exception of skin wool and a few other minor exceptions irrelevant to this Investigation). The Board buys the wool through agents sometimes called "A" Merchants. The agents store the wool on behalf of the Board until its re-sale. The Board sells the wool by public auction and its agents who carry on business as wool merchants can, and some frequently do, buy the Board's wool at such sales.

5. Wool is an agricultural product with a guaranteed price under the Agriculture Act, 1947. By virtue of that Act the Government fixes each year a price per lb. of wool which is guaranteed to the Board

for all the wool it acquires from producers. The price is intended to cover the Board's marketing costs and after deduction of such costs the balance thereof is distributed by the Board among the producers, having regard to the value of wool they have supplied to the Board. By agreement with the Government, if the Board's receipts from sales of wool in any year exceed the guaranteed price, the surplus must be placed in a stabilisation fund, but if such receipts are less than the guaranteed price the deficit must be paid out from the money in such Fund, or, if there is no money in the Fund, out of public funds. In the Board's first year of operation (which was during the Korean War) there was a considerable surplus which was paid into the said Fund. Since then there has been a deficit each year and for some years this deficit has been met out of public funds. It is therefore in the public interest that the Board should use all proper endeavours to obtain the best price for its wool.

6. Since the Board's inception all wool received by the Board through its agents in England, Wales and Northern Ireland has been graded before sale. A system of grading wool had in fact been operated by the Government before the Board came into being. It should perhaps be mentioned here that fleeces vary considerably in the characteristics and condition of their wool and these variations may materially affect the use to which the wool can be put, and therefore its value. By grading, fleeces are placed in different categories depending on the characteristics and condition of their wool, the purpose being to classify them into categories which are likely to be suitable for a particular purpose and to remove from such categories fleeces which from the characteristics or condition of their wool are not suitable for such purpose or cannot be made suitable except by some special process. Some system of grading wool before sale has been widely practised for many years in all the large wool-producing countries, for example Australia, New Zealand and South Africa. The Board believes that it is generally accepted all over the world that a grading system operates to the advantage both of the producer and of the buyer of wool. The system of grading in force in England, Wales and Northern Ireland has in the Board's view operated satisfactorily and the Board has no reason to believe that it has not operated here to the benefit of both producers and buyers. An important benefit to producers is that the Board can reflect the value of their fleeces in the prices paid to them. Further, this acts as an incentive to producers to produce more valuable fleeces and should tend to benefit buyers. Under paragraph 72(5) of the Scheme the Board must have regard in valuing a producer's wool to its class, quality and condition. The Board contends that this can only be done effectively by grading the wool.

7. Wool received on behalf of the Board by its agents in Scotland has been dealt with as follows. Since 1952 all wool produced in the Orkneys and Outer Hebrides has been graded by the Board before resale and in effect this wool is dealt with on the same principles as wool received by the Board in England, Wales and Northern Ireland. The price paid to producers varies with the grade of wool produced and the wool is sold in grades. This wool is not affected by the Board's decision of the 22nd September 1960.

8. As to the remaining wool called Mainland wool (which includes some wool produced in England and tendered in Scotland and a small quantity of wool produced in Scotland and tendered in England as well as wool both produced and tendered in Scotland) the system varies depending on the size of the clip. In the case of small clips (which since 1958 mean clips under 1,500 lb. and before that date under 1,000 lb) the wool is graded by the Board before sale and sold by grades. In the case of larger clips the wool is not graded at all by the Board and is sold in intact clips. It may be mentioned here that a clip although generally the entire production of a farm may not be so. A farmer may divide his wool production into two or more clips.

9. This difference in treatment between small and large clips does not affect the price paid to the producer by the Board. Grading is not done at the time of delivery of the clips to the Board and does not affect the payment to the producer. Producers both of big and small clips are paid on the same basis. A Schedule of maximum prices is issued by the Board divided into broad categories in the main one category for each breed and one maximum price for each category. These prices are related to the market prices obtained by the Board for each category in the previous year. After receipt by the Board's agent the clip is valued by an appraiser on the Board's staff who can inspect only a small portion of it. It is not possible by this method for the appraiser to make an accurate valuation of the clip. The appraiser awards the maximum price or a price lower than the maximum according to whether in his view the portion inspected indicates that the clip as a whole is likely to be good or sub-standard.

10. The difference between the Schedule of maximum prices fixed for Mainland wool and for the wool from the Orkneys and Outer Hebrides for which a payment is by grade can be illustrated by comparing the prices for Blackface wool in both Schedules. In the Orkneys Schedule for 1961-62 eight separate maximum prices are given for this breed varying from 60d. per lb. for the highest grade to 49d. for the lowest grade. In the Mainland Schedule only one maximum price is provided at 54½d. per lb. The Mainland Schedule lists 11 maximum

prices for the main breeds whereas the Orkneys and Outer Hebrides Schedule lists 49 prices for the same breeds. Many of the latter prices are of course bigger than those in the Mainland Schedule. The Mainland system provides little incentive to the producer to produce the more valuable grades.

11. The method of selling intact clips is in the Board's view also unsatisfactory. The auction sales in Scotland take place in Edinburgh. Wool is stored in warehouses in various parts of Scotland. Each clip is offered as a separate lot and before the sale sample containers from each clip are transferred to the Board's warehouse near Edinburgh for inspection by prospective buyers. A buyer can have no assurance that the whole clip will conform to that part of the sample which he can inspect. This uncertainty must tend to reduce the price which a buyer is prepared to offer and indeed the number of buyers who are prepared to bid. It could be largely removed by grading the clips.

12. Further, intact clips will contain fleeces of varying characteristics and condition whereas graded wool will only contain fleeces of similar characteristics and condition. The risks of such variation must deter some buyers from bidding for intact clips and will generally tend to reduce prices. Buyers requiring wool for a specific purpose may fear that a clip may contain an unknown quantity of wool unsuitable for their purpose. Again in the Board's view this tends to deter buyers and reduce prices.

13. The Board submits that in general the effect of offering intact clips must be to increase the buyers' risks and to reduce the competition for the wool and the price obtainable therefore. It may be that these risks are less in the case of an agent of the Board who has handled the clip concerned and wishes to buy it, and some agents do in fact buy a considerable proportion of their requirements from clips they have handled. In the Board's opinion there would tend to be generally greater competition and higher prices at the auction sales if the wool now sold in intact clips was graded before sale and such an increase in competition and price would be in the public interest.

14. The total weight of the intact clips sold by the Board in Scotland in the season 1959/60 amounted to 10.8 million lb. The total weight of all wool received by the Board in Scotland was 24 million lb. and in the whole of the United Kingdom was 82.9 million lb. Therefore intact clips represented in that season 13% of the total United Kingdom wool production and 45% of the wool received in Scotland.

15. In November 1958 the Board set up a Working Party to review all its marketing operations. In the course of this review the Working Party considered the question of grading all wool received by the Board in Scotland. The Working Party obtained the views on this question from a number of persons and bodies including the National Farmers Union of Scotland, three Regional Committees elected by producers under the Scheme, the British Wool Federation, the Wool Federation of Scotland, the Committee of London Wool Brokers, the United Kingdom Buyers Committee (representing buyers of wool other than the Board's agents). The Working Party also asked the Organisation and Methods Division of the Ministry of Agriculture Fisheries and Food to consider this question and the Division reported in favour of extending grading in Scotland. In the course of their deliberations the Working Party were informed that the Complainant Committee had been set up and the Working Party asked for the Committee's views. The Complainant Committee and the Wool Federation of Scotland (a constituent member of the Complainant Committee) were the only bodies among the above who expressed themselves against the grading of wool in Scotland.

16. In December 1959, the Working Party reported to the Board and extracts from the said report were communicated to the Complainant Committee through the Wool Federation of Scotland.

17. Since that date a number of memoranda on the subject of grading have been exchanged between the Working Party and the Complainant Committee and on two occasions the Working Party and the Complainant Committee had oral discussions. The Board will refer to the contents of the memoranda and to the details of the discussions in so far as the same are relevant to this investigation. The Board took into consideration all the matters raised by the Complainant Committee but came to the conclusion that it was in the public interest that the wool acquired by the Board in Scotland should be graded and that such grading would not be contrary to the reasonable interests of buyers or users of such wool, or of any persons affected by the Scheme. In the Board's view the grading of such wool (1) would enable the Board to value such wool in accordance with the provision of the Scheme; (2) would enable the Board to make payments to the producers which were more consistent with the true value of such wool; (3) would encourage producers to produce more valuable wool; (4) would enable the Board to offer an article more attractive to more buyers; (5) would remove risks to the buyers inherent in the sale of intact clips; (6) would enable the Board to obtain in general a better net realisation for its wool; (7) would not prevent buyers or users from obtaining wool with the characteristics and condition suitable for their purposes and indeed would in general assist them in so doing.

The Board was further of the opinion that the grading of the said wool is in the public interest as it would reduce the possibility of fraud and would enable the Board to have a more effective check on the wool in the hands of the Board's agents. But these latter considerations would not have been of sufficient importance by themselves to warrant the Board's decision.

18. In view of all the above considerations the Board decided on the 22nd September 1960 that from the 1st May 1962 wool received in Scotland should be graded. The Board gave ample time before the said decision should take effect so that all adjustments could be made by those concerned. The Board has discussed and still is prepared to discuss with persons affected by the proposed grading the descriptions of the grades to be used so as to provide grades which will suit as far as practicable the buyers' and users' interest.

19. In the letters from the Complainant Committee dated the 17th April and 10th July 1961 a number of complaints are made of the conduct of the Board and its staff. The Board does not consider it practicable to deal in this Representation with each matter raised. They will be refuted in evidence and if the Committee of Investigation so directs the Board will be prepared to exchange Proofs of such evidence with the Proofs of the Complainant Committee before the hearing. The Board will refer at the hearing to the contents of the documents referred to in the said letters for their full terms and effect. The Board does not admit that the contents of the documents prepared by or on behalf of the Complainant Committee are correct either as to statements of fact or as to expressions of opinion.

20. The principle followed by the Board throughout the discussion with persons likely to be affected by grading of Mainland wool in Scotland was that ample opportunity should be given to such persons of considering, and expressing their views on, the effect of grading. Throughout, the Board's main endeavour was to make a full and reasonable assessment of such effects. The Board took pains to give full weight to any objection to such grading. The Board's members and staff have endeavoured to conduct themselves in accordance with this principle.

21. The Board refers to the Representation filed on behalf of the Complainant Committee dated the 13th September, 1961, and in particular to the allegations concerning the conduct of two members of its staff in the course of a visit to Italy in May, 1961. This matter was not referred to by the Complainant Committee in their letter dated the 10th July, 1961. The visit was carried out on instructions from the Chairman of the Board for the purpose of the business of

the Board. The staff had a number of meetings with persons connected with the Italian wool trade and it is not practicable to set out in detail the effect of all the conversations at these meetings, but details can be given at the hearing in so far as the Committee of Investigation considers them relevant. The Board denies that anything was said or done by either member of the staff which could justify any of the criticism thereof contained in the said Representation or which could be a valid matter of complaint before the Committee of Investigation.

22. Save as hereinbefore expressly admitted each and every allegation in the said letters and Representation is denied as if the same were set out and denied *seriatim*.

Ellis & Fairbairn,
Giggs Hill Green,
Thames Ditton,
Surrey.
Solicitors to the British Wool Marketing Board.

18th September, 1961.

NAMES AND QUALIFICATIONS OF WITNESSES

On Behalf of the Complainants

| | |
|-------------------------------------|--|
| Andrew Durward Edmond | Chairman of the Scottish Wool Trades Consultative Committee. Director of A.F. Stoddard and Co. Ltd., Carpet Manufacturers, Elderslie, Johnstone, Renfrewshire. Managing Director of Douglas, Rayburn and Co. Ltd., Yarn Spinners, Kilmarnock. Managing Director of Stewarts Spinners (Galashiels) Ltd. |
| Peter Edward Hart, B.Sc. (Econ.) | Lecturer in Economic Statistics in the University of Bristol. |
| Elair Charles Macnaughton | Director of A. and J. Macnaughton, Ltd., Woollen Manufacturers, Pitlochry. Member of the Council of the National Association of Scottish Woollen Manufacturers. Chairman of Independent Harris Tweed Producers, Ltd. |
| Henry James Ramsden | Partner in the firm of Russell and Ramsden, Wool Merchants and Brokers, Edinburgh. (Authorised A Merchants). Director of H.S. Ramsden (Scotland) Ltd., Wool Merchants and Processors, Edinburgh. Vice-President of the Wool Federation of Scotland. |
| Sydney Haigh Smith | Director of W.A. Jowett, Ltd., Wool Merchants, Bradford. |
| Mark Sprot Stewart | Partner in the firm of Stewart Brothers, Leith. (Authorised A Merchants). Director of Stewart Brothers (Wools) Ltd., Stewart Brothers (Galashiels) Ltd., and G. and J. Roberts Ltd., Glasgow. |

On Behalf of the Complainants (*Contd.*)

John Kinniburgh Templaton,
C.A.

Secretary of the Scottish Wool Trades Consultative Committee. Partner in the firm of Grahams, Rintoul and Co., Chartered Accountants, 105 St. Vincent Street, Glasgow and 116 Old Broad Street, London. Secretary of the Wool Federation of Scotland. Secretary of the Committee of Scottish Wool Brokers.

On Behalf of the Board

Samuel Ramsay Blackley,
M.B.E., B.Sc. (Agric.)

Manager and Secretary of the British Wool Marketing Board. Member of the British Wool Promotion Committee, the British Carpet Promotion Council and the Hand Knitting Wool Council.

Robert Alfred Braithwaite

Wool Buyer for J.N. Cockcroft, Ltd., Wool Merchants and Topmakers, Bradford. Member of the Buyers' Committee of the British Wool Marketing Board. Member of Fleece Committee of the British Wool Federation.

Edward Brundett, O.B.E.

Farmer, Kent. Member of the British Wool Marketing Board. Chairman of Kent Wool Growers Ltd. Member of the Livestock and Wool Committee of the National Farmers' Union of England and Wales.

Edgar Eric Clay

Deputy Regional Officer for Scotland and Senior Appraiser for Scotland of the British Wool Marketing Board.

Peter Charles Stuart Lees

General Manager of the Committee of London Wool Brokers. Partner in the firm of Hughes, Willans, Irwell and Co., Wool Brokers, London. Member of the Buyers' Committee of the British Wool Marketing Board.

On Behalf of the Board (Contd.)

Professor W.J.M. Mackenzie,
M.A., LL.B.

Professor of Government in the
Victoria University of Manchester.
Appointed by the Agricultural
Ministers as a Member of the British
Wool Marketing Board.

Alistair McNaughton

Farmer, Perthshire. Member of the
British Wool Marketing Board.

James Reaper

Wool Buyer for J. and J. Crombie,
Ltd., Woollen Manufacturers,
Aberdeen. Member of the Buyers'
Committee of the British Wool Market-
ing Board.

Frederick Harold Shapland,
J.P.

Farmer, Devon. Vice Chairman of the
British Wool Marketing Board. Member
of the Council of the National
Farmers' Union of England and Wales.

James Herbert Shaw, J.P.

Chairman and Joint Managing Director
of Thos. Hey and Shaw, Ltd., Wool
Merchants and Topmakers, Bradford.
Chairman of Cleckheaton Combers Ltd.,
Wool Combers. Director of West Riding
Worsted and Woollen Mills, Ltd.,
Combers, Spinners and Woollen
Manufacturers. Chairman of the
Fleece Committee of the British Wool
Federation and Past President of the
Federation. Senior Vice-President of
the Bradford Chamber of Commerce.
Member of the British Wool Marketing
Board.

John Leslie Tankard

Managing Director of J.L. Tankard and
Co. Ltd., Carpet and Rug Manufac-
turers, Bradford, and Director of
other Companies. Member of the
Executive Committee and Promotion
Council of the Federation of British
Carpet Manufacturers. Member and
Vice-Chairman of the Floor Rug Manu-
facturers Association.

On Behalf of the Board (Contd.)

George Donald Todd

Director of R. Todd and Co. (Bradford)
Ltd., Wool Brokers, Bradford.
Member of the Buyers' Committee of
the British Wool Marketing Board.

Michael John West,
B.Sc. (Econ.)

Manager of the Food and Forest Pro-
ducts Department of the Economic
Intelligence Unit.

William Wilson, M.B.E.

Chairman of Ulster Wool Growers Ltd.,
(Authorised A Merchants). Member of
the British Wool Marketing Board.

Sales of Wool by the British Wool Marketing Board in 1959/60

| | <u>million lbs</u> |
|---|------------------------|
| <u>Total sold in the United Kingdom</u> | |
| Produced in England and Wales | 55.8 |
| Produced in Scotland | 22.8 |
| Produced in Northern Ireland | 3.3 |
| | <u>82.9</u> |
| <u>Total sold in Scotland</u> | |
| Produced in England and Wales | 2.0 |
| Produced in Scotland | 22.3 |
| Produced in Northern Ireland | (a) |
| | <u>24.3</u> |

(a) insignificant amount

Purchases at Scottish Sales 1959/60

| | <u>Blackface</u> | <u>Other Wools</u> |
|--------|------------------|--------------------|
| Graded | 5.0 | 8.6 |
| Intact | 7.1 | 3.6 |
| | <u>12.1</u> | <u>12.2</u> |

Figures provided by the
British Wool Marketing Board.

BRITISH WOOL MARKETING SCHEME

BRITISH WOOL - PRODUCTION, PRICES AND MARKETING STATISTICS - 1950-51 TO 1960-61

| Clip Year May/ April | PRODUCTION | | | SALES | | | Transfer to or from Special Account (c) | Exchequer Advances (d) |
|----------------------------|---------------------------------------|-------------------------|-------------------------------|--|-------------------------------|-----------------------------|---|------------------------------|
| | Weight of Clip Purchased (a) | Quaran- ted Price | Marketing Allowance (b) | Value at Guaranteed Price + Marketing Allowance (b) | Weight of Wool Sold (a) | Sum realized at Sales | Average Selling Price | |
| | lb. | pence/lb. | pence/lb. | £ | lb. | £ | pence/lb. | £ |
| 1950-1 | 57,661,711 | 27.05 | 3.75 | 7,425,598 | 59,324,476 | 23,697,050 | 98.02 | + 14,645,127 (e) |
| 1951-2 | 61,713,590 | 28.00 | 3.75 | 19,478,352 | 61,433,284 | 11,060,907 | 66.80 | - 7,659,545 |
| 1952-3 | 57,128,975 | 34.00 | 3.75 | 19,152,910 | 57,032,417 | 13,729,478 | 49.16 | - 2,423,434 |
| 1953-4 | 69,088,802 | 54.00 | 4.75 | 16,907,003 | 68,791,982 | 15,806,178 | 53.05 | - 1,701,925 |
| 1954-5 | 72,527,074 | 54.00 | 4.21 | 17,690,641 | 71,851,939 | 16,370,122 | 54.62 | - 1,214,719 |
| 1955-6 | 97,201,108 | 56.25 | | 18,310,285 | 95,995,103 | 14,528,174 | 52.08 | - 1,764,094 |
| 1956-7 | 97,639,137 | 56.25 | | 15,822,220 | 97,605,840 | 15,515,455 | 55.08 | - 116,534 |
| 1957-8 | 75,145,188 | 56.25 | | 17,611,670 | 76,276,111 | 14,109,036 | 44.85 | - 20,514 |
| 1958-9 | 79,722,630 | 56.25 | | 16,664,968 | 79,416,645 | 13,180,749 | 39.772 | - 53,451 |
| 1959-60 | 82,694,897 | 54.25 | | 16,737,694 | 82,669,545 | 16,106,321 | 46.978 | - 80,860 |
| 1960-61 | 78,350,999 | 53.25 | | 17,261,867 | 76,157,149 | 14,523,626 | 44.934 | - 59,457 |
| | | | | | | | | - 280,831 |
| | | | | | | | | - 3,483,000 |
| | | | | | | | | - 5,470,265 |
| | | | | | | | | - 2,480,313 |
| | | | | | | | | - 2,689,994 |

(a) The discrepancies in total figures arise from variations in moisture content while in store, processing, etc.

(b) In respect of the 1950-1, 1951-2, 1952-3 and 1953-4 clips the Government guaranteed the Board fixed Marketing Allowances as above. In respect of the 1954-5 clip a Marketing Allowance of a maximum of 4.75d. per lb. was guaranteed to the Board, the actual costs were 4.21d. per lb. As from the 1955-6 clip the allowance for marketing costs was consolidated with the guaranteed price.

(c) Transfers from the Special Account total more than the sum shown as transferred to the account due to the accumulation of interest and other adjustments.

(d) These payments by the Exchequer are a first charge against any future surplus made by the Board.

(e) The surplus on the clip amounted in total to £16,272,264 of which, under the terms of the Financial Agreement, the Board retained 10 per cent, £1,627,227. From this sum the Board made a bonus payment to producers amounting to approximately £1,100,000.

Source: N.A.F.P.